

OUTGOING MESSAGE

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TO: IMMEDIATE WHITE HOUSE//SITUATION ROOM FOR MR MCNAMIS.

STATE RCI//OPERATIONS CENTER MR FRY, NMCC//ATTENTION

CIA REF, TREASURY DEPT//INFO FOR MR JOHN YEO.

WARNING NOTICE SENSITIVE INTELLIGENCE SOURCES AND METHODS INVOLVED

ITEM NO: 2

DATE: 2 MARCH 74

SUBJECT: ITALIAN GOVERNMENT RESIGNS

REF : D/A: ROME 2155, 021145Z MARCH 74, CONF

PRIME MINISTER MARIANO RUMOR SUBMITTED THE RESIGNATION OF HIS GOVERNMENT TODAY. RUMOR WILL STAY ON IN A CARETAKER STATUS WHILE DIFFICULT NEGOTIATIONS GET UNDERWAY TO FORM A NEW GOVERNMENT. THE INTER-PARTY TALKS ARE LIKELY TO AIM AT SETTING UP ANOTHER CENTER-LEFT COALITION WITH THE SAME PARTIES--CHRISTIAN DEMOCRATS, SOCIALISTS, SOCIAL DEMOCRATS, AND REPUBLICANS.

4 SO FAR, NO ONE IS ADVOCATING THE DISSOLUTION OF PARLIAMENT AND NEW ELECTIONS. PARLIAMENT REPORTEDLY FEARS THE ELECTORAL REPERCUSSIONS OF THE ENERGY CRISIS, INFLATION, AUSTERITY MEASURES AND A SIMMERING SCANDAL INVOLVING ALLEGED PAY-OFFS TO

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POLITICIANS BY THE OIL COMPANIES.

IN TRYING TO RECONSTRUCT RUMOR'S COALITION, HOWEVER, POLITICIANS WILL FACE THE TASK OF RECONCILING THE OPPOSING VIEWS OF THE SOCIALISTS AND REPUBLICANS OVER ECONOMIC PRIORITIES. IN A DISAGREEMENT THAT HAS IMMOBILIZED SUCCESSIVE GOVERNMENTS, THE SOCIALISTS HAVE DEMANDED IMMEDIATE ACTION ON COSTLY ECONOMIC AND SOCIAL PROGRAMS, WHILE THE REPUBLICANS HAVE INSISTED ON BUDGETARY AUSTERITY.

THE TWO PARTIES PAPERED OVER THESE DIFFERENCES TO FORM RUMOR'S GOVERNMENT LAST SUMMER, BUT THE ISSUE CAME TO A HEAD THIS WEEK WHEN THE SOCIALISTS ACCUSED TREASURY MINISTER LA MALFA OF TRYING TO FORCE HIS POLICIES ON THE COUNTRY INDIRECTLY THROUGH THE TERMS OF A LOAN HE HAD NEGOTIATED WITH THE IMF.

CHRISTIAN DEMOCRATIC PARTY LEADER AMINTORE FANFANI HAS UNFLOATED THE IDEA OF TRYING TO FORM A CENTER-LEFT GOVERNMENT WITHOUT THE REPUBLICANS. ~~THESE~~ PARLIAMENTARY VOTES ARE NOT NECESSARY FOR A MAJORITY. ALTHOUGH THE SOCIALISTS WOULD BE GLAD TO BE RID OF LA MALFA, THE SOCIAL DEMOCRATS ARE HARY OF

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BECOMING THE SMALLEST PARTY IS THE COALITION. THE CHRISTIAN DEMOCRATIC DIRECTORATE WILL MEET THIS EVENING TO DECIDE THE PARTY'S NEXT MOVES. FANFANI IS REPORTEDLY ANXIOUS FOR A SPEEDY RESOLUTION OF THE CRISIS.

IF THE PARTIES CANNOT IRON OUT THEIR DIFFERENCES, THE CHRISTIAN DEMOCRATS MAY HAVE TO SET UP A TEMPORARY ONE-PARTY CAPTAKER GOVERNMENT. THIS IS AN ESTABLISHED WAY OF LETTING THE DUST SETTLE FROM POLITICAL CRISES, BUT THERE IS NOT MUCH ENTHUSIASM FOR THE IDEA AT THIS TIME. THE COUNTRY FACES A DIVISIVE NATIONAL REFERENDUM ON THE LEGALIZED REEDIVORCE BILL ON MAY 12 AND THE OTHER PARTIES--ALL OF WHOM FAVOR THE EXISTING LAW--DO NOT WANT THE ANTI-DIVORCE CHRISTIAN DEMOCRATS IN THE DRIVER'S SEAT DURING THE CAMPAIGN. I-2 IMPDET.H

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